

**TERMS AND CONDITIONS**  
**NEIGHBORHOOD HOUSING SERVICES' MONTANA HOMEOWNERSHIP NETWORK**  
**AFFORDABLE HOUSING PROGRAM SETASIDE**  
**\$4,000,000 at 5% for First Mortgages and \$1,000,000 at 5% for**  
**Subordinate Mortgages**

July 12, 2002(Revised 2/17/04)

(1) The mortgages financed under this program are specially structured with a first and subordinate mortgage with Montana Board of Housing financing both mortgages. The sum of all financing may not exceed 100% of the cost to acquire the property plus any normal prepaid expenses. The subordinate mortgage may be for down payment and closing costs and will be guaranteed by Neighborhood Housing Services.

The mortgages will be structured so that the subordinate mortgage (maximum of \$5,000) is a participation of the first and allow for only one monthly principal and interest payment of the combined total of both the first and subordinate mortgages. The first mortgage will have priority in case of foreclosure.

Each First Mortgage Loan shall be either insured by FHA under Section 203(b) of the National Housing Act, guaranteed by RD under Title V of the Housing Act of 1949, or guaranteed by the VA under Section 810, Chapter 37 of Title 38, U.S. Code. RD may also participate in loans under this program by financing a portion of the transaction and taking a second mortgage which will be superior to the subordinate mortgage. **Applicants must provide their own funds in a minimum of \$500 for FHA and VA loan transactions and a minimum of \$1500 for a RD Guaranteed loan transaction. Loan Leveraged loan transactions do not have a minimum of borrowers own money.**

(2) The fixed rate of interest on the Mortgage Loans shall be 5.0% per annum (rate subject to change at Board's discretion).

(3) The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal and interest.

(4) The Servicer may deduct a monthly servicing fee at the annual rate of three-hundred-seventy-five thousandths of one percent (.375%) of the outstanding principal balance of both Mortgage Loans. The servicing fee factor is .075(for 5.0%).

(5)The acquisition cost of a Residence being financed by a Mortgage Loan shall include cost of completing the residence and unpaid SID assessments and must not exceed maximum purchase price limits:

Area	Maximum Cost for Existing	Maximum Mortgage for New Construction	Maximum Mortgage for New Construction**
Statewide (All Counties)	\$160,176	\$189,100	\$160,176

\*\*Maximum Mortgage Limits for Existing homes are the Purchase Price Limits

(6) Total Family Assets not to exceed \$70,000 and \$5,000 in net liquid assets.

(7) Homebuyer to be either a first-time homebuyer; single parents who owned a home with a spouse while they were married; or disabled.

(8) The Residence to be financed shall be occupied as the mortgagor's principal residence, and no more than 15% of the total area of the residence may be used in a trade or business.

(9) Refinancings of existing Mortgage Loans are not eligible for

purchase by the Board. Refinancings of construction period loans or other interim financings which have a term of 24 months or less are not considered refinancings of existing Mortgage Loans.

(10) Recapture tax provisions will not apply.

(11) A mortgagor can be obligated on only one Montana Board of Housing loan at a time.

(12) An eligible Mortgage Lender desiring to reserve funds must submit (1) the Mortgage Loan Reservation/Confirmation Report (BOH Form 99); (2) a copy of an executed FHA/VA/RD Loan Application or other complete loan application used by the Mortgage Lender; (3) a copy of an executed Buy/Sell Agreement; (4) verification of Annual Family Income; (5) Disclosure of Reservation Fee Refund Policy signed by mortgagor(s); (6) Letter from the Neighborhood Housing Services confirming the eligibility of the Mortgagors for the program; and (7) Signed "Release Of Financial Information" form. Upon receipt of such documents and funds, the Board may reserve bond proceeds for 120 days to acquire Mortgage Loans on existing housing and 180 days to acquire Mortgage Loans for new construction. Such period may be extended upon payment of an additional one-fourth of one percent (.25%) for each 30-day extension, which shall only be paid by the Mortgage Lender. If the Mortgage Loan is not acquired by the Board within this time period, a one-fourth of one percent (.25%) cancellation fee will be imposed except as provided in Section 15 hereof.

(13) Maximum Gross Annual Family Income from all sources not to exceed 80% of the area median income for the County as adjusted annually and for household size.

(14) The Board will purchase Mortgage Loans at up to one hundred two percent (102%) of the face amount of the Mortgage Loan. The Mortgage Lender may not charge fees since MBOH is paying them. Borrower must pay a \$350 NHS packaging fee.

(15) The Board reserves the right to charge a cancellation fee. The one-fourth of one percent (.25%) cancellation fee will be charged when the loan's cancelled unless the property appraisal does not support the loan amount. Mortgage Lenders need to qualify mortgagors before submitting a reservation request to avoid payment of a cancellation fee.

(16) Reservations for mortgage funds are on a first come-first, served basis and must include written certification from the Neighborhood Housing Services that the borrowers have been selected to participate in the program.

(17) Mortgage Loans shall be tendered for sale to the Board within 45 days following execution of the note by the mortgagor. If the Mortgage Lender fails to deliver such loans within 45 days after origination, the purchase price will be reduced by one-half of one percent (.5%) for each 30 days the loan is not delivered. To determine the accrued interest for purchase and interest on monthly mortgage payments, multiply the number of accrual days by the outstanding principal balance, and divide by the 360 day factor (for 5.0%) 7200.00. To determine the accrued interest for payoff, multiply the number of accrual days by the outstanding principal balance, and divide by the 365 day factor 7300.00. The monthly remittances and payoffs can be wired or ACHed to:

**WIRES:** Wells Fargo Bank West, N.A.  
ABA#102000076  
For Deposit to CK ACCT #196897979  
Credit: Montana Board of Housing  
Servicer (3 digit #)\_\_\_\_\_

Send only one wire (all series combined) for each remittance made during the month. You must complete the MBOH Remittance

Detail Fax form listing the individual remittance amounts for each series (even if remitting only one series). Fax the form to both Wells Fargo and to the Montana Board of Housing. **See the Remittance Detail Fax form for the appropriate fax numbers.**

**ACH:** Wells Fargo Bank West, N.A.

ABA#102000076

CK ACCT #196897979

CR ACCT: MT BD OF HSG (Position 55-76; 22 characters)

Servicer (3 digit #)\_\_\_\_\_(Position 40-54; 15 characters)

Send only one ACH remittance (all series combined) for each remittance made during the month. You must complete the MBOH Remittance Detail Fax form listing the individual remittances for each series (even if remitting only one series). Fax the form to both Wells Fargo and to the Montana Board of Housing. **See the Remittance Detail Fax form for the appropriate fax numbers.**

(18) Mortgage Lenders will be required to provide the Board with information regarding Mortgage Loans when requested by the Board to comply with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(19) The Program will expire December 31, 2004.

NEIGHBORHOOD HOUSING SERVICES' MONTANA HOMEOWNERSHIP NETWORK  
AFFORDABLE HOUSING PROGRAM SUBORDINATE MORTGAGE

This subordinate mortgage, made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between \_\_\_\_\_ whose address is \_\_\_\_\_, as Mortgagor, and Montana Board of Housing, an agency of the State of Montana, whose address is 836 Front Street, PO Box 200528, Helena, Montana, 59620, Mortgagee.

WITNESSETH: That said Mortgagor(s), for and in consideration of the sum of \_\_\_\_\_ Dollars (U.S. \$\_\_\_\_\_) in hand paid by said Mortgagee pursuant to the Neighborhood Housing Services' Montana Network Affordable Housing Program Promissory Note of even date herewith, the receipt of which is hereby acknowledged, do (does) hereby mortgage and confirm unto Mortgagee, its administrators and assigns forever that certain real property, situated in the County of \_\_\_\_\_, State of Montana, particularly described as follows, to-wit:

TOGETHER WITH: (1) All buildings, fixtures, and improvements thereon and all water rights, rights-of-way, tenements, hereditaments, privileges, and appurtenances thereunto belonging, now owned or hereafter acquired, however evidenced, used or enjoyed with said premises or belonging to the same; (2) All right, title, and interest hereafter acquired in or to any of said premises, hereby also releasing, relinquishing, and waiving all exemptions, rights of dower and homestead, in or to said premises, vested or inchoate; (3) All heating, air conditioning, plumbing, and lighting facilities, equipment, and fixtures now or hereafter installed upon or within said premises, used or proper or necessary to constitute the said premises a habitable, usable, or operating unit--all of said property being designated and deemed for the purposes of this instrument a part of the realty; and (4) All of the rents, issues, and profits of said premises, SUBJECT, HOWEVER, to the right, power, and authority hereinafter conferred upon Mortgagee to collect and apply such rents, issues and profits;

FOR THE PURPOSE OF SECURING: (1) Payment of the principal sum of \_\_\_\_\_ and \_\_\_/100ths Dollars (\$\_\_\_\_\_) with interest thereon according to the terms of a promissory note, dated \_\_\_\_\_, 20\_\_\_\_, the terms of which are incorporated by reference and a copy of which is attached hereto.

TO PROTECT THE SECURITY OF THIS SUBORDINATE MORTGAGE, AND FOR OTHER PURPOSES, MORTGAGOR AGREES:

A. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete and restore promptly and in a good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws, covenants, and restrictions affecting said property; not to commit or permit waste thereof; not commit, suffer or permit any act upon said property in violation of the law; and to do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

B. An Act of Default shall occur that if the Mortgagor(s) or maker or makers of the obligation secured by this subordinate mortgage shall fail to pay the principal or any interest as the same becomes due, or any taxes or assessments or insurance as required, or otherwise fail to comply with any or all of the conditions of the subordinate mortgage and the same shall continue for 30 days, then all of said indebtedness secured hereby shall become immediately due and collectible, and all rents and profits of said property shall then immediately accrue to the benefit of the said Mortgagee; and this second mortgage may be foreclosed for the full amount, together with costs, taxes, insurance, cost of abstract title, attorney's fees, and any other sums advanced or expense incurred on account of the said Mortgagor(s); for whatever purpose, and any and all advances shall be liens under this indenture. The occurrence of any of the following events will also constitute an act of default by mortgagor if re:

- a) If the Mortgagor rents the property without obtaining Mortgagee written approval.
- b) If the Mortgagor uses the property for commercial purposes.
- c) The total condemnation of the property by any governmental authority, or a condemnation of a part of the property if such will interfere with the use of the property as a residence.
- d) The death of Mortgagor or, if the note, and mortgage have been executed by two persons, ~~te~~ death of the surviving Mortgagor.
- e) Mortgagor's failure to maintain hazard insurance on the property.

- f) Any event which constitutes a default pertaining to FHA, VA, or RD loan default terms as contained in the participation first mortgage. The first mortgage has priority in the event of foreclosure.
- g) Any Assumption or conveyance of the subordinate mortgage.

C. Without affecting the liability of any person, including Mortgagor, for the payment of any indebtedness secured hereby, or the lien of this subordinate mortgage on the remainder of the property for the full amount of any indebtedness unpaid, Mortgagee is respectively empowered as follows; and may from time to time and without notice:

- a) Release any person liable for payment of any of the indebtedness.
- b) Alter, substitute, or release any property securing the indebtedness.
- c) Consent to the making of any map or plat of the property.
- d) Join in granting any easement or creating any restriction thereon.
- e) Reconvey, without warranty, all or any part of the mortgage.

A release of this subordinate mortgage is to be made at the expense of the Mortgagor(s), on full payment of indebtedness secured thereby.

BY SIGNING BELOW, Mortgagor(s) accept(s) and agree(s) to the terms and covenants contained in this Neighborhood Housing Services’ Montana Network Affordable Housing Program mortgage.

Mortgagor

Mortgagor

STATE OF MONTANA

)

: ss.

County of

)

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, a notary public for the State of Montana, personally appeared \_\_\_\_\_, known to me to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same.

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first above written.

(Notarial Seal)

Notary Public for the State of Montana  
Residing at:  
My Commission Expires:

STATE OF MONTANA

)

: ss.

County of

)

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, a notary public for the State of Montana, personally appeared \_\_\_\_\_, known to me to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same.

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first above written.

(Notarial Seal)

Notary Public for the State of Montana  
Residing at:  
My Commission Expires:

**NEIGHBORHOOD HOUSING SERVICES' MONTANA HOMEOWNERSHIP  
NETWORK AFFORDABLE HOUSING PROGRAM  
SUBORDINATE MORTGAGE NOTE**

DATED: \_\_\_\_\_, 200\_\_

NOTE AMOUNT \_\_\_\_\_,

PROPERTY ADDRESS \_\_\_\_\_,

1. "Mortgagor" means each person signing at the end of the Note. "Lender" means Montana Board of Housing, an agency of the state of Montana, and its successors and assigns. "First Mortgage" means the Note and Trust Indenture executed contemporaneously with this Neighborhood Housing Services' Montana Homeownership Network Affordable Housing Program Mortgage Note and Subordinate Mortgage.
2. In return for a loan received from Lender, Borrower promises to pay Lender the principal sum of \_\_\_\_\_ Dollars (U.S. \$ \_\_\_\_\_) plus interest, to the order of Lender. Interest will be charged on unpaid principal, from the date of disbursement of the loan proceeds by Lender, at the rate of 5.00% per year until the full amount of principal has been paid.
3. Borrower's promise to pay is secured by a Subordinate Mortgage, that is dated the same date as this Note. That Subordinate Mortgage protects the Lender from losses which might result if Borrower defaults under this Note.

**4. (A) Time**

Borrower shall make a payment of principal and interest to Lender on the first day of each month beginning on \_\_\_\_\_. Any principal and interest remaining on the first day of \_\_\_\_\_, will be due on that date, which is called the "Maturity date".

**(B) Place**

Payment shall be made at \_\_\_\_\_ or at such other place as Lender may designate in writing by notice to Borrower.

**(C) Amount**

Each monthly payment of principal and interest will be in the amount of \$ \_\_\_\_\_. This amount will be part of a larger monthly payment required by the Subordinate Mortgage that shall be applied to principal, interest and other items in the order described in the Subordinate Mortgage.

5. This Note is pursuant to a Neighborhood Housing Services' Montana Homeownership Network Affordable Housing Program Mortgage (the "Subordinate Mortgage"), between the Lender and Mortgagor, of even date herewith, granting to the Board a lien on the real property ("Property") described in said Mortgage. This is a participation Mortgage. Only one principal and interest payment is paid by the mortgagor on the combined total of First and Subordinate Mortgages.
6. **Neighborhood Housing Services' Montana Homeownership Network Affordable Housing Program Promissory Note is not assumable.** Principal and interest payment shall be immediately due and payable upon: a) any transfer of the Mortgagor's ownership interest in the property address above and more specifically described in the Subordinate Mortgage securing his Note; or b) payment in full of the First Mortgage.
7. The Mortgagor may prepay at any time, with out premium, fee, or other penalty, the entire indebtedness of the "Subordinate Mortgage". Additional principal reduction payments are payable on the first day of any month and will first be applied to the "Subordinate Mortgage" unless otherwise stated in writing at time of payment by Mortgagor.

8. If Lender has not received the full monthly payment required by the Subordinate Mortgage, as described in Paragraph 4 (C) of this Note by the end of **fifteen** calendar days after the payment is due, Lender may collect a late charge in the amount of **Four per cent (4.00%)** of the overdue amount of each payment.
9. Federal Housing Administration, Veterans Administration, or Rural Development foreclosure policies and procedures shall take precedence in the event of default. The First Mortgage has priority in case of foreclosure.
10. If this Note has been executed by two persons, the obligations herein are joint and several obligations of each such person. In the event that the Lender obtains a judgment in foreclosure or sale, it shall look solely to the Property given as security in the Mortgage for the repayment of this Note.

This Note is secured by the Mortgage executed by Mortgagor on the Property described therein which Property has the address of \_\_\_\_\_, Montana 59\_\_\_\_\_

\_\_\_\_\_  
Mortgagor  
\_\_\_\_\_  
Mortgagor

STATE OF MONTANA )  
 )  
County of \_\_\_\_\_ ) :ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, before me, a notary public for the State of Montana, personally appeared \_\_\_\_\_, known to me to be the person(s) he/she/ they/ executed the same.

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first above written.

(Notarial Seal)

\_\_\_\_\_  
Notary Public for the State of Montana  
Residing at:\_\_\_\_\_  
My Commission Expires:\_\_\_\_\_

STATE OF MONTANA )  
 )  
County of \_\_\_\_\_ ) :ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, before me, a notary public for the State of Montana, personally appeared \_\_\_\_\_, known to me to be the person(s) he/she/ they/ executed the same.

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first above written.

(Notarial Seal)

\_\_\_\_\_  
Notary Public for the State of Montana



Residing at:\_\_\_\_\_

My Commission Expires:\_\_\_\_\_